

A Cold Blast From the Index Universal Life Illustration (A) Subgroup

January 11, 2022

During the December 8 Life Actuarial Task Force meeting, the Index Universal Life Illustration (A) Subgroup reported on its findings regarding IUL illustrations following the implementation of Actuarial Guideline 49-A. The chair of the subgroup, Fred Andersen, stated that while the illustration rates being used since the effectiveness of AG 49A are lower, they are not as low as previously anticipated. Andersen explained that this is the result of insurers implementing volatility-controlled indexes for which the option costs are lower. As a result of the lower option costs, insurers are using the savings to fund guaranteed fixed bonuses, which then results in increased illustrated rates.

The subgroup seeks to discuss in early 2022 whether it should address the use of volatility-controlled indexes and the associated guaranteed fixed bonuses, and if so, then how. On December 9, LATF with a February 4, 2022, timeline, sought comments on whether to address illustrations of volatility-controlled index account and guaranteed fixed bonuses, and if so, how? In seemingly wanting to freeze the use of such illustrations, the exposure states that “[i]n some insurers’ minds [they are allowed to] illustrate volatility-controlled funds plus the fixed bonus more favorably than a traditional, capped S&P 500 index.”

Based on comments made during the December 8 meeting, Birny Birnbaum is seeking to ice the use of volatility-controlled index accounts as he believes them to be opaque to consumers and requires consumers to trust insurers.

Hopefully, as spring rolls around, regulators will warm up to volatility-controlled index accounts.

Authored By



Ann Young Black

Related Practices

[Financial Services Regulatory](#)
[Life, Annuity, and Retirement Solutions](#)

Related Industries

[Life, Annuity, and Retirement Solutions](#)
[Life, Annuity, and Retirement Solutions](#)

©2024 Carlton Fields, P.A. Carlton Fields practices law in California through Carlton Fields, LLP. Carlton Fields publications should not be construed as legal advice on any specific facts or circumstances. The contents are intended for general information and educational purposes only, and should not be relied on as if it were advice about a particular fact situation. The distribution of this publication is not intended to create, and receipt of it does not constitute, an attorney-client relationship with Carlton Fields. This publication may not be quoted or referred to in any other publication or proceeding without the prior written consent of the firm, to be given or withheld at our discretion. To request reprint permission for any of our publications, please use our [Contact Us](#) form via the link below. The views set forth herein are the personal views of the author and do not necessarily reflect those of the firm. This site may contain hypertext links to information created and maintained by other entities. Carlton Fields does not control or guarantee the accuracy or completeness of this outside information, nor is the inclusion of a link to be intended as an endorsement of those outside sites.